

Part 9 IA Program (7 CFR 762.150)

223 Purpose of IA Program

A

Purpose

The IA Program enables lenders to provide credit to operators of family farms who do not have the financial resources to meet the standard repayment terms * *

*. Under this program, FSA enters into an agreement with the lender to reimburse the lender * * * 4 percentage points on the loan, in exchange for the lender reducing the interest rate charged to the borrower. IA is available for new guaranteed loans and existing guaranteed loans meeting certain criteria.

224 General Rules (7 CFR 762.150(b))

A

Eligibility

IA can be provided to both new and existing borrowers for OL and FO; however, funding is generally only available for new OL as described in subparagraph 226 B. *--Loan applicants can obtain IA to achieve a feasible plan if they meet all other eligibility requirements. Existing borrowers may obtain IA if their financial position deteriorates and they no longer can project a feasible plan at their--* current rates and terms. **The borrower must be an operator of not larger than a family size farm.**

B

Repayment
Terms

The typical term of scheduled loan repayment will not be reduced solely for the purpose of maximizing eligibility for interest assistance. To be eligible for interest assistance, a loan/line of credit must be scheduled over the maximum terms typically used by lenders for similar type loans within the limits set by paragraph 137. At a minimum, loans will be scheduled for repayment over the terms listed below, but for OL not to exceed the life of the security:

- **OL for the purpose of providing annual operating and living expenses will be scheduled for repayment when the income is scheduled to be received from the sale of the crops, livestock, and livestock products which will serve as security for the loan**
- **OL for purposes other than annual operating and living expenses (i.e. equipment, livestock, refinancing of existing debt) will be scheduled over 7 years from the effective date of the proposed interest assistance agreement**

*--**Note:** Balloon installments are not prohibited if longer terms are needed.--*

- **FO secured by real estate, 20 years from the closing date of the original note covered by the guarantee.**
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C**Interest Rates**

The lender may charge a fixed or variable interest rate. The type of rate must be the same as the type of rate in the underlying note or line of credit agreement. The lender will reduce the interest rate charged the borrower's account by at least the amount of interest assistance.

The interest rate that the lender will charge, as well as any base rate and points, must be clearly indicated in the application.

The lender and borrower may change the interest rate on the loan at anytime as provided in paragraph 284.

D**Feasible Plan**

The lender must document that a feasible plan is not possible without reducing the interest rate on the borrower's loan and with the debt restructured over the term of repayment * * *.

For new loans, a borrower's new guaranteed loan is eligible for interest assistance if all the following conditions are met.

- **The applicant needs interest assistance in order to achieve a feasible plan.**
- **If significant changes in the borrower's cash flow budget are anticipated after the initial 12 months, then the typical cash flow budget must demonstrate that the borrower will still have a feasible plan following the anticipated changes, with or without interest assistance.**
- A borrower may qualify for interest assistance with either an initial or a typical cash flow budget where cash inflows are less than outflows. If the initial cash flow budget shows inflows greater than outflows, but the typical cash flow budget shows outflows greater than inflows, then the loan may be obligated as a subsidized loan and a 0 percent subsidy placed on the loan for the first year. Subsequent year reviews will be conducted normally to determine whether to approve an increase in subsidy.
- If a feasible plan cannot be achieved, the lender may ask other creditors to voluntarily adjust their debts. If other creditors adjust their debts and a feasible plan can be achieved with IA, then IA may be approved.
- **If a feasible plan cannot be achieved, even with other creditors voluntarily adjusting their debts and with the interest assistance, the interest assistance request will not be approved.**

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D**Feasible Plan
(Continued)**

The following apply for existing guaranteed loans not currently under FSA-1980-64.

- **An existing guaranteed loan is eligible for interest assistance if the borrower needs interest assistance to achieve a feasible plan and the borrower meets the eligibility criteria of Part 8, Section 1, except the provision regarding prior debt forgiveness (subparagraph 108 C).**
- **If a borrower has multiple loans, interest assistance may be provided on one or each loan, as available, to the extent necessary to achieve a feasible plan.**

* * *

E**Term of
FSA-1980-64**

The term of the interest assistance agreement under this section shall not exceed 10 years from the date of the first interest assistance agreement signed by the loan applicant, including entity members, or the outstanding term of the loan, as limited by this section, whichever is less.

The term is limited by the first FSA-1980-64.

FSA-1980-64's shall be approved for a term not in excess of 10 years minus the period of time since the first FSA-1980-64 was signed.

Note: The period of time a borrower was subject to an Interest Rate Buydown Agreement will not be considered in this limitation.

Transition Rule: Borrowers with FSA-1980-64 signed before February 12, 1992, may be considered for an additional 3 years of assistance under the exception authority in paragraph 232.

F**Nonessential
Assets**

The lender must determine whether the borrower, including members of an entity, owns any significant assets which do not contribute directly to essential family living or farm operations. The lender must determine the market value of these assets and prepare a cash flow budget based on the assumption that the value of these assets will be used for debt reduction. If a feasible plan can then be achieved, the borrower is not eligible for interest assistance. All interest assistance calculations will be based on the cash-flow budget which assumes that the assets will be sold.

A**Applying for IA**

To apply for IA, the lender shall submit:

- **for new guaranteed loans:**

- ***--a completed cash flow budget and interest assistance needs analysis--***
portion of the application form

Note: Interest Assistance can be applied to each loan, only to one loan or any distribution the lender selects; however, interest assistance is only available on as many loans as necessary to
--achieve a feasible plan.--

- **for loans with unequal payments, a proposed debt repayment schedule which shows principal and interest payments for the subject loan, in each year of the loan**

- ***--for existing guaranteed loans not currently under an FSA-1980-64:**

- **a completed cash flow budget and interest assistance needs analysis--***
portion of the application form

Note: Interest assistance can be applied to each loan, only to one loan or any distribution the lender selects as required to achieve a feasible plan.

- **for loans with unequal payments, a proposed debt repayment schedule which shows scheduled payments for the subject loan in each of the remaining years of the loan.**

*** * ***

Note: Requests for interest assistance on lines of credit or loans made for annual operating purposes must be accompanied by a projected monthly cash flow budget.

226 Evaluating and Approving or Denying IA Requests

**A
Evaluating IA
Requests**

Applications for IA will be evaluated according to Part 8, Sections 1 through 3. Additionally, the Authorized Agency Official shall determine whether or not all applicable requirements of this part have been met. The approval official shall check that:

- all mathematical computations are accurate
 - the loan and loan applicant are eligible to receive IA
 - nonessential assets are considered.
-

**B
Approving IA
Requests**

Because of funding limitations, IA may be approved for the following:

- for new loans, OL's only
- for existing loans, either of the following:
 - OL's or FO's that were originally obligated with IA
 - OL's or FO's obligated on or before September 30, 1991.

If the approval official determines that IA can be approved, the approval official shall do the following.

Step	Action
1	Prepare RD-1940-3. RD-1940-3 is used to obligate FSA funds including IA: <ul style="list-style-type: none"> • for new loans • for existing loans, which are presently guaranteed without IA • when the term of IA is to be extended.
2	Execute RD-1940-3 and distribute copies according to FMI.

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226 Evaluating and Approving or Denying IA Requests (Continued)

B Approving IA Requests (Continued)

Step	Action
3	Verify that the obligation of funds has been completed on the Automated Discrepancy Processing System. Place a printout of this in the case file.
4	For requests that include loan funds in addition to IA funds, prepare FSA-1980-15. Note: In no case will FSA-1980-15 be executed before verification of the obligation of both loan/LOC and IA funds.
5	For requests for IA on existing guaranteed loans, the approval official will notify the lender in writing that the request has been approved.

C Denying IA Requests

If the loan applicant is found ineligible for the loan guarantee or the guarantee cannot be approved for other reasons, the approval official shall notify the lender and loan applicant according to paragraph 83.

If the request for guarantee can be approved or has previously been approved and the request for IA is denied, the lender will be notified according to
--paragraph 229.--

A
Closing
Requirements

Initial guaranteed loans will be closed in accordance with Part 10. IA will be closed according to this table.

Step	Action
1	<p>The lender will then prepare and deliver to the Agency a closing report for each initial and existing guaranteed loan which has been granted interest assistance.</p> <p>Lender shall submit RD-1980-19.</p>
2	<p>When all requirements have been met, the lender and the Agency will execute an interest assistance agreement.</p> <p>Agency, lender, and borrower shall execute FSA-1980-64.</p> <ul style="list-style-type: none"> • An original FSA-1980-64 will be prepared for each note or LOC agreement executed. •*--FSA-1980-64 will be executed even if there is a 0 percent subsidy for the first year.--* • All originals of FSA-1980-64 will be provided to the lender and attached to the note with the original guarantee.

228 Annual Request for IA Payment or Continuation (7 CFR 762.150)

**A
Request for IA
Payment and
Renewal**

Within 60 calendar days of the annual review date, the lender shall submit the following to FSA:

- for payment claim information:

- FSA-1980-24

Notes: FSA-1980-24 shall be used to both request payment for the previous year and document the need for IA for the coming year.

The lender shall provide FSA with an Electronic Funds Transfer account number so the IA payment may be transmitted to them electronically.

- a detailed statement of activity, including all disbursements and payments applied to the loan or LOC account
- detailed calculations of average daily principal balances for the claim period

Note: All claims will be supported by detailed calculations of average daily principal balance during the claim period.

- for a continuation of IA:
 - a summary of the operation's actual financial performance in the previous year, including a detailed income and expense statement
 - a narrative description of the causes of any major differences between *--the previous year's projections and actual performance--*

Note: For all IA agreements exceeding 12 months, the lender will perform an analysis of the applicant's farming operation and need for continued IA.

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228 Annual Request for IA Payment or Continuation (7 CFR 762.150) (Continued)

A**Request for IA
Payment and
Renewal
(Continued)**

- a current balance sheet
- a cash flow budget for the period being planned

Note: A monthly cash-flow budget is required for all lines of credit and OL's made for annual operating purposes. All other loans may include either an annual or monthly cash flow budget.

- a copy of the interest assistance needs analysis portion of the application form which has been completed based on the planned period's cash flow budget.
-

B**Final Request for
Payment**

Upon full payment of the note or line of credit, the lender will immediately prepare the request for interest assistance payment and submit it to the Agency.

The final claim period may be less than 12 months.

C**Final IA
Requests From
Liquidated
Accounts**

Final IA claims must be submitted concurrently with the submission of any estimated loss claims, which cause interest to cease to accrue, or with final loss claims.

Continued on the next page

D**Rules for IA
Claims**

No claim period can exceed 12 months. The initial and final claim periods may be less than 12 months. In such claims, the 4 percent payment will be prorated over the number of days in the claim period. The period for all other claims must be 12 months.

- The initial claim will cover the entire period between the effective date of the agreement and the annual review date.
- Subsequent requests must cover 12-month periods of IA, and must be prepared by the lender and submitted within 60 calendar days after the annual review date.

To permit the borrower to prepare for the upcoming year, a claim should be filed within 60 days of each anniversary date. Claims not filed within 1 year will not be paid and the amount due the lender is permanently forfeited.

--FSA-1980-24 should be submitted even if the claim amount is 0.--

If a claim is submitted without an interest assistance review, when it is required, the claim will not be processed until the review is submitted by the lender.

Interest assistance claims shall be submitted concurrently with the submission of estimated loss claims where interest accrual ceases, or final loss claims that are not preceded by an estimated loss claim.

E**Rules for
Continuation
of IA**

A request for continuation of Interest Assistance will be completed for 12 month periods, effective on the anniversary date.

The initial review may be submitted in conjunction with any claim within the initial 12 month period. The anniversary date and length of the review period will be stated on the interest assistance agreement. Any request for interest assistance adjustment submitted effective any time other than the review date will be denied, except for those cases where it is necessary to service the loan with rescheduling, reamortization, deferral or writedown.

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228 Annual Request for IA Payment or Continuation (7 CFR 762.150) (Continued)

E
Rules for
Continuation
of IA
(Continued)

--The loan will be eligible for continuation of interest assistance if the cash flow budget projects a feasible plan with interest assistance applied.--

To continue IA, the cash flow budget must project that a feasible plan is not possible without subsidy, but at least a feasible plan can be achieved with 4 percent subsidy.

***--However, IA can be applied only to as many loans as necessary to achieve a positive cash flow for the plan period.**

If the cash flow budget indicates that the borrower requires a level of interest assistance greater than 4 percent to project a feasible plan, then the Agency will deny the continuation of interest assistance. Interest assistance will be reduced to zero during that period. The lender will be notified according to paragraph 229.--*

If the review is not completed and submitted to the Agency within 1 year of the review date, no claim will be paid for that period.

F
FSA Review of
Request for IA
Payment

Follow this table for reviewing IA payment requests.

Step	Action
1	The Agency will review the claim and the supporting documentation within 3 workdays of receipt. If the information and the supporting documentation is not complete and correct, the reviewing official will notify the lender in writing of the actions needed to correct the request.
2	The reviewing official shall document a comparison of actual and projected income and expenses. Any major differences from previous projections to actual performance as well as major changes from the previous year's balance sheet should be noted.
3	The Authorized Agency Official shall complete the appropriate portion of FSA-1980-24 to reflect the amount of IA approved for the coming year. This should be completed even if the assistance level will be 0 percent so that adjustments in the obligation records can be made.
4	The original will be returned to the lender for attachment to the original FSA-1980-64.

229 Notification of Adverse Action

A**Notification of
FSA Action**

The lender will be notified in writing of all Agency decisions in which a request for interest assistance, a request for continuation of interest assistance or lender's claim for interest assistance are denied. The notification letter will provide specific reasons for the decision and appeals will be handled in accordance with parts 11 and 780 of this title.

230 Servicing of Loans Covered by FSA-1980-64 (7 CFR 762.150(g))

A**Consolidation of
Loans**

Loans covered by Interest Assistance Agreements cannot be consolidated.

B**Transfer and
Assumption**

Interest assistance payments shall cease upon the assumption and transfer of the loan if the transferee was not liable for the debt on the effective date of the interest assistance agreement. The lender shall request payment through the date of the transfer or assumption. The claim must be submitted within 1 year or it will be denied and the payment permanently forfeited.

The loan will be transferred with the interest assistance agreement only in cases where the transferee was liable for the debt at the time the interest assistance was granted. Under no other circumstances will the interest assistance be transferred. If interest assistance is necessary for the transferee *--to achieve a feasible plan, the lender may request such assistance, which may be approved if interest assistance funds are available and the applicant is eligible. The maximum length of the agreement will be 10 years from the date of the first agreement covering a loan for which the transferee was liable. If Interest Assistance is necessary for a feasible plan and funds are--* not available, the request for assumption of the Agency guaranteed debt will be denied.

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C**Loan
Writedowns**

When consideration is given to using a debt writedown to service a delinquent account, the subsidy level will be recalculated prior to any writedown. If a feasible plan can be obtained using interest assistance and funds are available, then the interest assistance will be authorized and no writedown will be approved. If a feasible plan cannot be achieved using 4 percent interest assistance, all further calculations for determining debt writedown eligibility and amounts to be written down will be based on the borrower receiving no interest assistance. If debt writedown is approved, the interest assistance claim for the previous review period will be processed in conjunction with the writedown loss claim. The interest assistance agreement will not be canceled and the anniversary date can remain the same or be re-established under the same guidelines that it was originally established. IA will continue with a 0 subsidy amount for the first year of the writedown. If the lender determines through its annual analysis that interest assistance is necessary for a feasible plan, a request to reinstate the subsidy in a subsequent review period may be submitted in accordance with subparagraph 228 A.

D**Reamortization,
Rescheduling, or
Deferral of
Loans**

In the event of rescheduling or deferral of loans with interest assistance, interest assistance will remain available for that loan under the terms of the existing interest assistance agreement. Additional years of interest assistance and increases in the restructured loan amount will require additional funding. If the additional interest assistance is needed in order to produce a feasible plan throughout the life of the rescheduled loan and funds are not available for the additional interest assistance, then the rescheduling will not be approved by the Agency. In no case will the subsidy be extended more than 10 years from the effective date of the first interest assistance agreement signed by the loan applicant or by anyone who signed the note or line of credit agreement. * * * A review will be completed, according to subparagraph 228 A. The anniversary date can remain the same or be re-established under the same guidelines that it was originally established.

If additional funding is required, the Authorized Agency Official shall execute a new RD-1940-3 and obligate the additional funds * * *. Also, a copy of the front page of FSA-1980-64 that reflects the new expiration date for IA should be sent to the Finance Office. If FSA-1980-64 has expired, a new one shall be executed for the additional years required. The original new FSA-1980-64 should be attached to the expired one and filed in the borrower's FSA file.

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230 Servicing of Loans Covered by FSA-1980-64 (7 CFR 762.150) (Continued)

E**Reorganization
Bankruptcy**

In cases where the interest on a loan covered by an interest assistance agreement is reduced by court order in a reorganization plan under the bankruptcy code, the interest assistance agreement will be terminated effective on the date of the court ordered interest reduction. The lender will file a claim due through the effective date of the court ordered interest reduction. Guaranteed loans which have had their interest reduced by bankruptcy court order are not eligible to receive interest assistance.

F**Repurchase
From Holder**

For Loan Guarantees held by holders, Agency purchase of the guaranteed portion of a loan will stop interest assistance payments on that portion. Interest assistance payments will cease upon termination of the Loan Guarantee, upon reaching the expiration date set forth in the agreement or upon cancellation by the Agency.

G**Requesting IA
for Delinquent
Accounts**

When a borrower defaults on a loan, interest assistance may be considered in conjunction with a rescheduling action in accordance with § 762.145 (b). After the meeting required by § 762.143 (b)(3) and consideration of actions to correct the delinquency, the lender will notify the Agency of the results of the meeting. If the restructuring proposal includes interest assistance, the lender will provide the items required by paragraph (d) of this section in addition to those items required by § 762.145. Liquidation must not be *--initiated, except in accordance with § 762.143 (b)(3)(v).--*

H**Adjustment of
Assistance
Between Review
Dates**

After the initial or renewal request for interest assistance is processed, no adjustments can be made until the next review or adjustment date except when necessary to service the loan with a rescheduling or deferral.

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230 Servicing of Loans Covered by FSA-1980-64 (7 CFR 762.150) (Continued)

I
Excessive IA **Upon written notice to the lender, borrower, and any holder, the Agency may amend or cancel the interest assistance agreement and collect from the lender any amount of interest assistance granted which resulted from incomplete or inaccurate information, an error in computation, or any other reason which resulted in payment that the lender was not entitled to receive.**

J
Substitution of Lenders **If there is a substitution of lender, a claim for the first lender's interest assistance, through the effective date of the substitution, will be submitted by the first lender and processed at the time of the substitution.**

- IA will continue automatically through the review date.
- The new lender must:
 - request the remaining IA for that period
 - document the need for continued IA within 60 calendar days after the review date.

231 Cancellation of FSA-1980-64 (7 CFR 762.150(h))

A
Condition for Cancellation **The Interest Assistance Agreement is incontestable except for fraud or misrepresentation, of which the lender and borrower have actual knowledge at the time that the interest assistance agreement is executed, or which the lender or borrower participates in or condones.**

If FSA determines that the lender or borrower fraudulently completed FSA-1980-64 or misrepresented information on FSA-1980-64 or supporting documentation, FSA shall cancel FSA-1980-64 and collect any subsidy that has been paid up to the point this fraud was discovered.

232 Exceptions to IA Requirements (7 CFR 762.150(k))

A**Exceptions**

The Deputy Administrator for Farm Loan Programs has the authority to grant an exception to any requirement involving interest assistance, if it is in the best interest of the Government.

DAFLP has the authority to make exceptions to the rules regarding IA. Exceptions will only be made on a case-by-case basis where the proposed exception is in the best interest of FSA, the lender, and the loan applicant.

DAFLP's decision on granting exceptions is final and not appealable. SED's should evaluate all requests for exceptions, and forward them to DAFLP with their analysis of the benefits or problems, and a recommendation for their approval or rejection. No exception will be granted without an analysis and documentation of why such an exception is in the Government's best interest.

233-243 (Reserved)